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## PENSIONS AND INSURANCE

"At the meeting of the trustees of the Carnegie foundation held in New York City on November 15, the proposed plan for transforming the pension system into a contributory one was referred to a commission composed of President Henry S. Pritchett of the Foundation; President W. F. Slocum of Colorado College, chairman of the trustees; President Sir Wm. Peterson of McGill University; President C. R. Van Hise of the University of Wisconsin; President A. Lawrence Lowell of Harvard University, and Chancellor Samuel B. McCormick of the University of Pittsburgh, representing the Foundation, and five representatives from the American Association of University Professors, the Association of American Universities, the National Association of State Universities and the Association of American Colleges.\* This action is in accordance with the recommendation of a committee of the American Association of University Professors, which was represented at the meeting of the trustees by Professor Edwin R. A. Seligman, Vice-President of the Association, and Dean Harlan F. Stone, chairman of the committee." (School and Society, November 25, 1916.)

Statement by Vice-President Seligman at the meeting of the Trustees of the Carnegie Foundation, November 15, 1916.

*Gentlemen:*

In the absence of President Wigmore, who has been good enough to send in a letter, I have been asked to represent the American Association of University Professors.

Shortly after the distribution of President Pritchett's confidential report, a special committee, under the chairmanship of Dean Stone of Columbia, was appointed by our Association, to consider the matter. Copies of their report have been put into your hands. As to this report, three points are to be noted:

(1) That among the twenty-five signatories there are included representatives of institutions both associated and not associated with the present pension scheme.

(2) That in several cases the views of the signatories are in harmony with the judgment of the faculties of the respective institutions. Printed reports on the subject have been made by Harvard, Cornell, Wisconsin, Princeton, and Stanford; typewritten reports have been made by Johns Hopkins, Wellesley, Middlebury, and Franklin; while Oberlin, Vassar, and Washington have substantially

\* See list on page 12.

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approved of the position of the committee. Where formal action has not been taken, the signatories have sought to get in touch with as many of their colleagues as possible. In not a single case that has come to my notice has a dissenting opinion been registered. So that I think it may be safely asserted that the report of the committee commands the assent of the great body of university and college instructors.

(3) While the report has not yet been presented to the Association, it will be so presented at the annual meeting next month, and it is my confident belief that the report will be adopted either unanimously or by an overwhelming majority.

The report before you, therefore, may be considered as substantially the views of the members of the teaching profession in the American universities and colleges.

Since the report itself is in your hands, it will speak for itself. Chairman Stone, however, is present and will be glad to answer any questions in detail, that may be put to him.

President Wigmore, who is unfortunately prevented from being present, has been good enough to write a letter expressing his own views and with your consent I shall read his letter:

November 6, 1916.

"DEAN HARLAN F. STONE,  
Columbia University Law School,  
New York City.

Dear Mr. Stone:

I am writing to President Pritchett expressing my regret that personal and official duties make it impossible for me at the present time to leave Chicago, and, therefore, to accept his courteous invitation to attend the meeting of the Board as representative of our Association. But I will ask you to be good enough to read or file on my behalf the following brief statement to the Board, if permitted:

(1) The report of our committee represents the views of professors in institutions both associated and not associated with the existing pension system of the Board. And at the Chicago meeting of the committee, which I attended, four of the seven present were from non-associated institutions. Yet at no time was there any difference of view between the two classes of professors, nor was any argument put forward based on any such supposed contrast of interests in the proposed plan.

(2) On the general plan, my own personal opinion is opposed to its adoption, for three basic reasons:

(i) Any system of *life or disability insurance* for professors should rest upon either a mutual or a commercial basis; because a system which would involve contribution and co-operation by college authorities would place the professorial destiny still more in the control of college authorities than it is at present; and this would be unhealthy for intellectual independence.

(ii) Any system of *retirement pensions* conferred from an endowed fund should be gratuitous, not earned by professorial contributions or premiums; so as to confer distinction and otherwise make more attractive the profession of university teaching, and thus to give to the endowment the fullest value as an aid to the cause of pure science.

(iii) Any plan, which involves the continuance of the present system of uniting

under the same machinery an educational censorship of institutions with a pension system to individuals, is undesirable; because the two purposes are distinct and their union defeats the complete accomplishment of either.

Very truly yours,

(Signed) JOHN H. WIGMORE,  
*President A. A. of U. P."*

Finally, I should like to add a few comments of my own on the three chief conclusions of the committee:

I. The first point is that any scheme of pension insurance adopted by the Foundation should provide for benefits substantial in character. This is true of the present plan, which is restricted to a certain number of institutions. Under the proposed plan, it would be applied to a thousand or more institutions in the United States and Canada. Assuming, what is well within the fact, that the number of instructors in each of these institutions is about fifty, the benefits would accrue to fifty thousand individuals. If the income of the Foundation is approximately \$1,500,000 a year, this would mean a contribution of \$30 a year to each instructor. It is respectfully submitted that this is entirely too small a contribution to be considered as of any substantial importance. It follows, therefore, either that the funds at the disposal of the Foundation must be largely increased; or, on the other hand, that some method of selection as among the institutions must be devised.

II. The second conclusion is that the moral obligations entered into by the Foundation attach not only to instructors over forty-five years of age, but to all instructors who have come in, relying upon the previous statement of the Foundation. This is, however, so clearly understood by the Foundation itself, as evidenced in its resolution of November 17, 1915, that I need add nothing further at this time.

III. The third conclusion refers to the desirability of delay in the formulation of a new scheme to replace the present one. Concurring in this conclusion as to the desirability of delay, I should like to present several points for the consideration of the Foundation:

(a) Has an adequate distinction been made, in the report of Mr. Pritchett, between the three chief forms of social insurance, as practised throughout the world, namely, health or sickness insurance, invalidity or disability insurance, and old age insurance? Do the conclusions which apply to the one necessarily apply to the other?

(b) Is it true that a sound economic and social philosophy leads to the acceptance of contributory pensions as over against free pensions? Has a sufficiently careful study been made of the European system of free pensions to teachers, which is well-nigh universal? And has sufficient attention been paid to the report of the British committee which resulted in favor of the non-contributory or free insurance system, as contained in the great English act of 1908?

(c) If colleges and universities are to contribute their share to the cost of teachers' pensions, has a sufficient study been made of the complications that would ensue in our state universities and colleges?

(d) Is it true that, when it is recommended that the cost of pensions be divided between the college and the instructor, there is any real analogy with the system of contributory pensions found in great business enterprises? And is it not, on the

contrary, true that the burden of a contributory pension falls, to all intents and purposes, wholly upon the instructor?

To take up the last point first; our colleges have definite incomes. If a portion of this income must be diverted to the maintenance of the pension fund, it follows that there will be so much less available for salaries or for facilities in the way of books, laboratory provisions, and secretarial assistance, which, to a certain extent, take the place of salaries. The real burden of the pension system thus falls entirely upon the instructor, either through a retardation of the advance in his salary or through a decrease in the facilities accorded to him for work.

As regards the first consideration, an educational institution is entirely different from a business institution. In a business institution, if the employer chooses to assume a part of the cost of pensions, that means a diminution of profits—a diminution that is accepted for certain social reasons and which may be made good by the increased productivity of the employees. An educational institution, however, pays no dividends, nor is there any way in which its outlay for the pension fund can be recouped by an increased economic productivity of its employees. Its contribution to the pension fund must come ultimately, not out of profits, but out of salaries. The whole burden of the contributory plan thus falls ultimately upon the instructor himself.

(e) The contributions of the Foundation to the new scheme are summarized in the report, as the payment of taxes on insurance premiums, the guarantee of a good rate of interest upon accumulations, and the carrying of the cost of the invalidity pensions. In regard to the second point,—the guarantee of  $4\frac{1}{2}$  or  $4\frac{3}{4}$ % interest, is it not very probable that the rate of interest for the immediate future, and for some time to come, will rise rather than fall, so that the guarantee of a  $4\frac{1}{2}$ % interest will be entirely needless? As regards the cost of invalidity pensions, have we any definite figures to show what would be the advantages of such a system as applied to a thousand or more educational institutions in the case of any individual instructor, as compared with a system of mutual insurance that can be worked out in connection with any of the existing business agencies?

(f) Has a sufficient study been made of the problems connected with a medical examination? It is obviously not necessary to point out that if no medical examination is made, the principle of what the insurance experts call anti-selection will come into play, that is, the less healthy professors will certainly avail themselves of the privilege and, as a consequence, under any voluntary system, they will so overweight the scheme that it is bound to break down financially. The only way to avoid this would be to introduce the system of compulsory insurance and it need not be pointed out that compulsory insurance for university and college professors would be most repugnant to the feelings of the great majority. Finally, if, in order to avoid compulsory insurance, the medical examination were made, it follows that there would be excluded from the benefits of the scheme precisely the men who most need it. A frail body does not necessarily imply a weak mind; on the contrary, it is a familiar fact that much of the best work in research in the world has been accomplished by men of frail bodies. The whole topic bristles with difficulties of which we find no discussion in the report.

As a result of all these considerations, I should like, as the representative of the American Association of University Professors, to urge upon your honorable body two things:

The first is the desirability of further study of the project in order to avoid another leap into the dark. The second is the need of an effective co-operation between the Foundation itself and its ultimate beneficiaries, in the study and formulation of any projected scheme. In other words, I should urge that you associate with yourselves, in a formal manner, representatives, not only of the universities and colleges as such, but of the instructors in these institutions; for this will be the surest way of your retaining unimpaired the confidence of American teachers in the good faith, the wisdom, and the beneficence of your Foundation.

The subsequent official correspondence is as follows:

November 17, 1916.

DEAN JOHN H. WIGMORE,  
President American Association of University Professors,  
Northwestern University, Evanston, Illinois.

*Dear Dean Wigmore:*

At the annual meeting of the trustees of the Carnegie Foundation on November 15, representatives of the American Association of University Professors requested that further time be given for study and conference before any decision is made by the trustees touching the plan for insurance and annuities which has been under consideration for the past year. The trustees are only too glad to postpone action until full information on this matter can be obtained and to provide for conferences which may elicit a further expression of opinion. In order to carry out this suggestion in practical form the following resolutions were adopted:

*Resolved*, That, for the information of the trustees, the proposed new pension plan be referred for study and report to a special commission of eleven, to consist of six trustees, to be designated by the Chairman, including the Chairman and the President; two members to be appointed by the President of the American Association of University Professors; one member to be appointed by the President of the Association of American Universities; one member to be appointed by the President of the National Association of State Universities; one member to be appointed by the President of the Association of American Colleges.

*Resolved*, That the Executive Committee have authority to arrange for the necessary expenses of such commission, and for such expert assistance and advice as it may need.

In accordance with this resolution the Association of which you are the president is invited to appoint two members of this commission. I beg you will give me, at the earliest possible date, the names of the representatives designated by your association so that I may arrange for a meeting of the commission at an early date.

I am, very truly yours,

HENRY S. PRITCHETT.

CHICAGO, ILLINOIS,  
November 21, 1916.

PRESIDENT HENRY S. PRITCHETT,  
Carnegie Foundation for the Advancement of Teaching,  
576 Fifth Avenue,  
New York City.

*Dear Mr. Pritchett:*

I am gratified to receive your letter of November 17, announcing that the trustees of the Foundation have postponed the consideration of the proposed pension and insurance plan until after receiving the report of a special commission; and to learn from you that the President of this Association is asked to select two members of the commission.

Naturally, I shall select two of the committee that recently reported on the subject, viz., Chairman Harlan F. Stone, professor of law and dean of the Faculty of Law in Columbia University, and H. L. Rietz, professor of Mathematics in the University of Illinois, and an expert in insurance statistics.

Yours very truly,

J. H. WIGMORE,  
*President.*

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The list of representatives for the joint commission on the proposed plan, is constituted as follows, as this issue of the BULLETIN goes to press:

*Carnegie Foundation.*—Henry S. Pritchett, President; William F. Slocum, Chairman; William H. Crawford, Samuel McCormick, Sir William Peterson, Charles R. Van Hise.

*American Association of University Professors.*—Professor Walter W. Cook (Yale), Professor H. L. Rietz (Illinois).

*Association of American Universities.*—President Frank J. Goodnow (Johns Hopkins).

*National Association of State Universities.*—President C. A. Duniway (Wyoming).

*Association of American Colleges.*—President Donald J. Cowling (Carleton).

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Reprints from the November BULLETIN, of the Report of the Committee on Pensions and Insurance are available on application to the Secretary at ten cents per copy.